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SAPC-17204
Copy 6 of 8

11 July 1957

MEMORANDUM FOR: Director of Central Intelligence

**SUBJECT : Disposal of Intelligence Gathering Systems Surplus
to Presently known Project AQUATONE Needs**

1. This memorandum contains a recommendation for action by the Director of Central Intelligence. Such recommendation is contained in paragraph 5 below.
2. Project AQUATONE during its life has developed a number of intelligence gathering systems designed to carry out its assigned responsibility. The numbers of each such system developed and manufactured were based on the best estimated level of operations as visualized at the time.
3. As you are aware, however, by reason of circumstances beyond the control of the Project and of CIA, the level of operations of Project AQUATONE has never reached the originally contemplated rate. Consequently the Project has now reached a phase where certain systems and subsystems are surplus to the Project. It seems appropriate in some cases to eliminate completely any requirement for such systems and in other cases to reduce the numbers of such systems in the Project inventory to the minimum required to carry out Project responsibilities on a limited basis.
4. All of the above-referred to systems are being procured by the Department of the Air Force and by the Department of the Navy for their own use. The need for economical use of Government resources would seem to indicate that the Project should make available to these Departments any equipment which is surplus to Project needs and which would make it unnecessary for these Departments to expend additional funds for similar equipment to meet their own requirements.

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5. The Department of the Air Force, as a partner in the planning and implementation of Project AQUATONE, has expended as its contribution towards the total costs of the Project an amount only moderately less than that expended by the Agency. This expenditure was incurred in providing aircraft engines, fuel, Government furnished equipment, logistical support, etc. Clearly the effect of requesting reimbursement from the Air Force for equipment surplus to the Project would be to increase further the cost of Air Force participation and decrease the Agency's contribution. The Air Force definitely expects to inherit the Agency's U-2 aircraft upon completion of AQUATONE and does not expect to reimburse the Agency for the cost of these aircraft. There is no basis for any such understanding with respect to other items of equipment, nevertheless, the Air Force probably expects that material surplus to our needs will be turned over to them without reimbursement. Although the Air Force's share of the total cost of AQUATONE would be increased and that of the Agency correspondingly reduced by reimbursement for surplus equipment, this would in fact involve only the reapportionment as between the two agencies of costs incurred in previous fiscal years. Moreover, a request for reimbursement at this time might prejudice the willingness of the Air Force to continue to furnish heavy support to AQUATONE which will be required on the basis of present planning for another 15 or 18 months.

25X6C 6. The above-cited questions concerning the propriety of reimbursement for surplus equipment do not apply to the Navy. Although the Navy has rendered important support to AQUATONE, especially in the provision of facilities at [REDACTED] the Agency has reimbursed in cash for any and all cash costs incurred by the Navy. (The Agency is not being asked, however, to pay rent for the hangar and other previously existing facilities at [REDACTED]) Moreover, in negotiations with the Navy for the procurement of P-2-V aircraft, the Navy indicated that it would require reimbursement for such aircraft if transferred to Agency control. Accordingly, it would appear appropriate to request reimbursement from the Navy for any surplus equipment transferred to it, with the possible exception of very limited numbers of items made available to the Navy primarily for R&D purposes. This relationship would be sharply changed if a joint Agency/Navy project employing carrier-based U-2 aircraft should be undertaken as a partial continuation of AQUATONE along lines recently discussed. 25X6C

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7. At present three A-1 type cameras and three A-2 type cameras have been transferred by the Project to the Air Force with the question of reimbursement still open. The approximate cost of these six items was \$300,000. A requirement exists within the Air Force for one set of APO-56 Side-Looking Radar, since the Air Force has lost a set of this equipment in a recent accident. Cost of such set, with support gear was approximately \$150,000. From time to time miscellaneous parts and materials have been transferred to the Air Force to meet emergency requirements. Cost of such items is nominal.

8. In view of all factors involved it is recommended that the Project Director be authorized to transfer to the Air Force such equipment as is surplus to the Project and for which a need exists in the Air Force, such transfer to be on a non-reimbursable basis. With respect to transfer to the Navy, it is recommended that the Project Director be authorized to make limited transfers on a non-reimbursable basis in order to make available prototypes of sub-systems to the Navy but that larger scale transfers be on a reimbursable basis. It is further recommended, however, that this rule be reviewed if a joint project is undertaken with the Navy.

CONCUR:

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Deputy Director

(sgd) Richard M. Bissell, Jr.

RICHARD M. BISSELL, JR.
Project Director

Recommendation in Paragraph 8 Approved:

SIGNED

ALLEN W. DULLES
Director

RMB:djm

1-DCI (After Signature to Contracts)

2-DD/CI

3-Dir of R&D

4-Dep. Pro. Dir.

5-Proj. Comptroller

6-Dir. Admin. 25X9A5

7-Dir. Ops ~~SECRET~~

8-Proj. Chrono

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